

September 8, 1997

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

MEMORANDUM TO THE COMMITTEE ON WAYS AND MEANS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES ON PROPOSED TARIFF LEGISLATION¹

Bill no., sponsor, and sponsor's state: H.R. 1742 (105th Congress), Representative Rothman (NJ).

Companion bill: None.

Title as introduced: To suspend temporarily the duty on certain viscose rayon yarn.

Summary of bill:²

The bill would suspend the general rate of duty on artificial filament yarn of viscose rayon, classifiable in three subheadings of the Harmonized Tariff Schedule of the United States (HTS), through the close of December 31, 2000. The current duty rate is 10 percent ad valorem.

Effective date: The 15th day after enactment.

Retroactive effect: None.

Statement of purpose:

A member of the sponsor's staff said that the purpose of the bill is to suspend the duty on certain viscose rayon filament yarn, virtually none of which is produced in the United States.³ The one yarn that reportedly is still made domestically is a highly specialized yarn made for conversion into carbon filaments for industrial uses. According to the staff member, elimination of the duty on the subject yarns would lower costs for U.S. textile mills and help make them more price-competitive.

Product description and uses:

Rayon filament yarn is made of artificial fibers produced from cellulosic materials (generally wood pulp). The yarn is composed of several long filaments that are grouped together, and the filaments are usually twisted or crimped to hold them together. The yarn's varied uses include making fine silk-like fabrics, medium-weight upholstery fabrics, and industrial-strength hoses for cars and trucks.

¹ Industry analyst: Mary Elizabeth Sweet (205-3455); attorney: Jan Summers (205-2605).

² See appendix A for definitions of tariff and trade agreement terms.

³ Raffi Hamparian, telephone interview with USITC staff, July 31, 1997.

Tariff treatment:⁴

<u>Product</u>	<u>HTS subheading</u>	<u>Col. 1-general rate of duty (1997)</u>
Artificial filament yarn (other than sewing thread), not put up for retail sale:		
High tenacity single yarn, of viscose rayon.....		5403.10.30
10%		
Other single yarn:		
Of viscose rayon, untwisted or with a twist not exceeding 120 turns/meter.....		5403.31.00
10%		
Of viscose rayon, with a twist exceeding 120 turns/meter.....		5403.32.00
10%		

Structure of domestic industry (including competing products):

The one U.S. producer of rayon filament yarn, North American Corp., Elizabethton, TN, produces a highly specialized yarn made solely for the purpose of carbonizing,⁵ a process in which a yarn is heated so that at least 90 percent of the fibers are carbonized. This yarn is used to produce carbonized fiber for aerospace and defense applications.

Private-sector views:

The Commission contacted both the attorney representing several importers and consumers of the subject filaments and the president of the firm now making the yarn for carbonizing.⁶ The companies had not submitted any written comments as of the date of preparation of this report.

⁴ See appendix B for column 1-special and column 2 duty rates.

⁵ Russell Smith, Willkie Farr & Gallagher, telephone interview with USITC staff, July 31, 1997.

⁶ Russell Smith, telephone interview with USITC staff, July 31, 1997, and Charles Green, President, North American Corp., telephone interview with USITC staff, Aug. 4, 1997.

U.S. consumption:

Certain viscose rayon filament yarn:	<u>1994</u>	<u>1995</u>	<u>1996</u>
	---(Million dollars)---		
U.S. production.....	(¹)	40.0	32.0
U.S. imports.....	37.6	51.4	39.9
U.S. exports.....	6.7	7.8	4.6
Apparent U.S. consumption.....	(¹)	83.6	67.3

¹ Not available.

Principal import sources: Germany, Mexico, Netherlands

Principal export markets: Canada, United Kingdom, Turkey

Effect on customs revenue:⁷

Future (1998-2000) effect: ⁸	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenue loss from Mexico.....	462,650	373,220	279,990
Revenue loss from all other sources....	<u>3,052,700</u>	<u>3,052,700</u>	<u>3,052,700</u>
Total.....	3,515,350	3,425,920	3,332,690

Retroactive effect: None

Technical comments:

We suggest that the word “single” be inserted in the proposed article description in the new heading immediately after the word “filament.”

Consideration of international obligations:

We note that the column 1-general rates of duty for the subject yarns were not reduced during the Uruguay Round of multilateral tariff negotiations. At the time of the Uruguay Round negotiations, North American Corp. was still making these yarns and requested that the duties not be reduced to help protect this

⁷ Actual revenue loss may be understated in the event of a significant increase in imports over the duty suspension period. Revenue loss may be overstated if Mexico continues to increase its share of total imports under subheading 5403.31.00, with a special duty rate of 6 percent in 1997 for goods of Mexico under HTS general note 12. Mexico's share of such imports rose from 9.5 percent in 1992 to 23.4 percent in 1996, and was 18.6 percent for the first 5 months of 1997.

⁸ Based on the MFN rate of 10 percent ad val. (except for eligible goods of Canada and Israel, for which the duty rate is “Free” throughout the period) and the NAFTA rates for goods of Mexico of 5%, 4%, and 3% for 1998, 1999, and 2000, respectively. To date in 1997, imports of these rayon filament yarns from Mexico were \$9.3 million, and imports from all other countries were \$30.6 million.

industry. In December 1996, competition--largely from imported fabrics and apparel containing this yarn--led to the company's decision to stop making all of the yarn except that used for carbonizing.⁹

APPENDIX A

TARIFF AND TRADE AGREEMENT TERMS

In the **Harmonized Tariff Schedule of the United States** (HTS), chapters 1 through 97 cover all goods in trade and incorporate in the tariff nomenclature the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description. Subordinate 8-digit product subdivisions, either enacted by Congress or proclaimed by the President, allow more narrowly applicable duty rates; 10-digit administrative statistical reporting numbers provide data of national interest. Chapters 98 and 99 contain special U.S. classifications and temporary rate provisions, respectively. The HTS replaced the **Tariff Schedules of the United States** (TSUS) effective January 1, 1989.

Duty rates in the **general** subcolumn of HTS column 1 are most-favored-nation (MFN) rates, many of which have been eliminated or are being reduced as concessions resulting from the Uruguay Round of Multilateral Trade Negotiations. Column 1-general duty rates apply to all countries except those enumerated in HTS general note 3(b) (Afghanistan, Cuba, Laos, North Korea, and Vietnam), which are subject to the statutory rates set forth in **column 2**. Specified goods from designated MFN-eligible countries may be eligible for reduced rates of duty or for duty-free entry under one or more preferential tariff programs. Such tariff treatment is set forth in the **special** subcolumn of HTS rate of duty column 1 or in the general notes. If eligibility for special tariff rates is not claimed or established, goods are dutiable at column 1-general rates. The HTS does not enumerate those countries as to which a total or partial embargo has been declared.

The **Generalized System of Preferences** (GSP) affords nonreciprocal tariff preferences to developing countries to aid their economic development and to diversify and expand their production and exports. The U.S. GSP, enacted in title V of the Trade Act of 1974 for 10 years and extended several times thereafter, applies to merchandise imported on or after January 1, 1976 and before the close of June 30, 1998. Indicated by the symbol "A", "A*", or "A+" in the special subcolumn, the GSP provides duty-free entry to eligible articles the product of and imported directly from designated beneficiary developing countries, as set forth in general note 4 to the HTS.

The **Caribbean Basin Economic Recovery Act** (CBERA) affords nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development and to diversify and expand their production and exports. The CBERA, enacted in title II of Public Law 98-67, implemented by Presidential Proclamation 5133 of November 30, 1983, and amended by the Customs and Trade Act of 1990, applies to merchandise entered, or withdrawn from warehouse for consumption, on or after January 1, 1984. Indicated by the symbol "E" or "E*" in the special subcolumn, the CBERA provides duty-free entry to eligible articles, and reduced-duty treatment to certain other articles, which are the product of and imported directly from designated countries, as set forth in general note 7 to the HTS.

Free rates of duty in the special subcolumn followed by the symbol "IL" are applicable to products of Israel under the **United States-Israel Free Trade Area Implementation Act** of 1985 (IFTA), as provided in general note 8 to the HTS.

Preferential nonreciprocal duty-free or reduced-duty treatment in the special subcolumn followed by the symbol "J" or "J*" in parentheses is afforded to eligible articles the product of designated beneficiary countries under the **Andean Trade Preference Act** (ATPA), enacted as title II of Public Law 102-182 and implemented by Presidential Proclamation 6455 of July 2, 1992 (effective July 22, 1992), as set forth in general note 11 to the HTS.

⁹ Charles Green, telephone interview with USITC staff, Aug. 4, 1997.

Preferential or free rates of duty in the special subcolumn followed by the symbol "CA" are applicable to eligible goods of Canada, and rates followed by the symbol "MX" are applicable to eligible goods of Mexico, under the **North American Free Trade Agreement**, as provided in general note 12 to the HTS and implemented effective January 1, 1994 by Presidential Proclamation 6641 of December 15, 1993. Goods must originate in the NAFTA region under rules set forth in general note 12(t) and meet other requirements of the note and applicable regulations.

Other special tariff treatment applies to particular **products of insular possessions** (general note 3(a)(iv)), **products of the West Bank and Gaza Strip** (general note 3(a)(v)), goods covered by the **Automotive Products Trade Act** (APTA) (general note 5) and the **Agreement on Trade in Civil Aircraft** (ATCA) (general note 6), **articles imported from freely associated states** (general note 10), **pharmaceutical products** (general note 13), and **intermediate chemicals for dyes** (general note 14).

The **General Agreement on Tariffs and Trade 1994** (GATT 1994), pursuant to the Agreement Establishing the World Trade Organization, is based upon the earlier GATT 1947 (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786) as the primary multilateral system of disciplines and principles governing international trade. Signatories' obligations under both the 1994 and 1947 agreements focus upon most-favored-nation treatment, the maintenance of scheduled concession rates of duty, and national treatment for imported products; the GATT also provides the legal framework for customs valuation standards, "escape clause" (emergency) actions, antidumping and countervailing duties, dispute settlement, and other measures. The results of the Uruguay Round of multilateral tariff negotiations are set forth by way of separate schedules of concessions for each participating contracting party, with the U.S. schedule designated as Schedule XX.

Pursuant to the **Agreement on Textiles and Clothing** (ATC) of the GATT 1994, member countries are phasing out restrictions on imports under the prior "Arrangement Regarding International Trade in Textiles" (known as the **Multifiber Arrangement** (MFA)). Under the MFA, which was a departure from GATT 1947 provisions, importing and exporting countries negotiated bilateral agreements limiting textile and apparel shipments, and importing countries could take unilateral action in the absence or violation of an agreement. Quantitative limits had been established on imported textiles and apparel of cotton, other vegetable fibers, wool, man-made fibers or silk blends in an effort to prevent or limit market disruption in the importing countries. The ATC establishes notification and safeguard procedures, along with other rules concerning the customs treatment of textile and apparel shipments, and calls for the eventual complete integration of this sector into the GATT 1994 over a ten-year period, or by Jan. 1, 2005.

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APPENDIX B

**SELECTED PORTIONS OF THE
HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES**

(Appendix not included in the electronic version of this report.)

105TH CONGRESS
1ST SESSION

H. R. 1742

To suspend temporarily the duty on certain viscose rayon yarn.

IN THE HOUSE OF REPRESENTATIVES

MAY 22, 1997

Mr. ROTHMAN introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To suspend temporarily the duty on certain viscose rayon
yarn.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TEMPORARY SUSPENSION OF DUTY.**

4 (a) IN GENERAL.—Subchapter II of chapter 99 of
5 the Harmonized Tariff Schedule of the United States is
6 amended by inserting in numerical sequence the following
7 new heading:

“	9902.54.03	Artificial filament yarn (other than sewing thread) of viscose rayon (provided for in subheading 5403.10.30, 5403.31.00, or 5403.32.00)	Free	No change	No change	On or before 12/31/2000	”.
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1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) applies with respect to goods entered, or
3 withdrawn from warehouse for consumption, on or after
4 the 15th day after the date of the enactment of this Act.

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